

**BEECHWOOD INDEPENDENT  
SCHOOL DISTRICT**

***Annual Financial Report***

**Year Ended June 30, 2004**

**BEECHWOOD INDEPENDENT  
SCHOOL DISTRICT**

***ANNUAL FINANCIAL REPORT***

**Year Ended June 30, 2004**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Beechwood Independent School District  
Ft. Mitchell, Kentucky

Kentucky State Committee for School District Audits  
Frankfort, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beechwood Independent School District (District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I (General Audit Requirements)* and *Appendix II (State Audit Requirements)* of the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Beechwood Independent School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note B, the District has implemented a new financial reporting model, as required by the provisions of *GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the District. The individual fund financial statement on page 37, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**RANKIN, RANKIN & COMPANY**  
**September 17, 2004**

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT – FT. MITCHELL, KENTUCKY**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2004**

As management of the Beechwood Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including activity funds, for the District was \$1,207,141. The ending cash balance, including activity funds, for the District was \$828,308. The beginning investments balance was \$575,400. The ending investments balance was \$654,124.
- The board initiated no new major construction projects nor issued bonds in fiscal 2004.
- The General Fund had \$5.98 million in revenue, which primarily consisted of local real estate and property taxes, the state program (SEEK), on-behalf payments, local out-of-district tuition, utilities and motor vehicle taxes. Excluding inter-fund transfers, there were \$5.94 million in General Fund expenditures.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The district’s total debt decreased by \$344 thousand during the current fiscal year.
- The District remains committed to adopting a competitive salary structure for teachers and other staff provided funding is available.
- The District had a significant increase in worker’s compensation premiums brought about by increasing losses and general market conditions. We were able to mitigate the increase by changing companies through the bid process. We anticipate, absent significant losses, for rates to level out in the future.
- The District assessed a 4% increase in property tax rates for 2004 in order to recover a portion of the reduction in state revenues that were decreased due to an increase in property valuation in 2003.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages [9-10](#) of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages [11-17](#) of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages [18-32](#) of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by 2.8 million as of June 30, 2004.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

### Net Assets for the period ending June 30, 2004

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader however the district looks forward to offering comparative data in the future.

Current Assets	\$ 1,568,720
Noncurrent Assets	<u>5,483,046</u>
Total Assets	7,051,766
Current Liabilities	440,226
Noncurrent Liabilities	<u>3,835,900</u>
Total Liabilities	4,276,126
Net Assets	
Investment in capital assets (net of debt)	1,329,034
Restricted	348,753
Unrestricted	<u>1,097,853</u>
Total Net Assets	2,775,640

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

The district implemented GASB 34 and recorded fixed assets and debt for the first time.

### Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2004, net of Interfund transfers and on-behalf payments, were \$6.2 million.
- General fund budget compared to actual revenue (net of on-behalf payments) varied slightly from line item to line item with the ending actual balance being \$163 thousand more than budget or approximately three percentage points.

- The total cost of all programs and services was \$6.8 million net of debt service.
- General fund budget expenditures to actual expenditures varied from line item to line item with the ending actual balance being \$224 thousand less than budget or approximately three percentage points.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2004.

	<u>Amount</u>
Revenues:	
Local revenue sources	\$ 3,682,251
State revenue sources	3,172,541
Federal Revenue	185,573
Investments	10,790
Other	<u>274,511</u>
Total revenues	\$ 7,325,666
Expenses:	
Instruction	\$ 4,272,027
Student Support Services	220,627
Instructional Support	168,665
District Administration	354,191
School Administration	307,890
Business Support	238,249
Plant Operations	740,599
Student Transportation	111,619
Facilities	324,511
Debt Service	<u>566,526</u>
Total expenses	\$ 7,304,904
Revenue in Excess of Expense	\$ 20,762

## BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget for 2004- 2005 with \$201 thousand in contingency (3.4%). The beginning cash balance for beginning the fiscal year is \$828 thousand. Significant Board action that impacts the finances include a 2% pay raise for all employees and additional spending for facility repairs outside of bonded building and renovation projects.

Questions regarding this report should be directed to the Superintendent, Fred R. Bassett (859) 331-3250 or to Rae Wise, Director of Financial Services (859) 331-3250 or by mail at 50 Beechwood Rd., Ft. Mitchell, Kentucky 41017.



<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>STATEMENT OF NET ASSETS</b> <b>June 30, 2004</b>
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ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 754,227	\$ (42,780)	\$ 711,447
Investments	654,124	-	654,124
Accounts receivable			
Taxes	96,514	-	96,514
Accounts	684	-	684
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	82,669	5,172	87,841
Inventory	-	7,931	7,931
Prepaid expense	10,179	-	10,179
Total current assets	<u>1,598,397</u>	<u>(29,677)</u>	<u>1,568,720</u>
Capital assets, net of accumulated depreciation	<u>5,391,497</u>	<u>91,549</u>	<u>5,483,046</u>
Total assets	<u>6,989,894</u>	<u>61,872</u>	<u>7,051,766</u>
LIABILITIES			
Current Liabilities			
Accounts payable	64,290	222	64,512
Deferred revenue	13,344	-	13,344
Bonds payable and capital leases-current	<u>362,370</u>	<u>-</u>	<u>362,370</u>
Total current liabilities	<u>440,004</u>	<u>222</u>	<u>440,226</u>
Noncurrent Liabilities			
Accrued sick leave	44,258	-	44,258
Bonds payable and capital leases	<u>3,791,642</u>	<u>-</u>	<u>3,791,642</u>
Total noncurrent liabilities	<u>3,835,900</u>	<u>-</u>	<u>3,835,900</u>
Total liabilities	<u>4,275,904</u>	<u>222</u>	<u>4,276,126</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,237,485	91,549	1,329,034
Restricted for:			
Capital projects	348,255	-	348,255
Debt service	498	-	498
Unrestricted	<u>1,127,752</u>	<u>(29,899)</u>	<u>1,097,853</u>
Total net assets	<u>\$ 2,713,990</u>	<u>\$ 61,650</u>	<u>\$ 2,775,640</u>

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2004

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 4,451,135	\$ 225,970	\$ 1,153,413	\$ -	\$ (3,071,752)	\$ -	\$ (3,071,752)
Support services:							
Student	277,698	-	19,693	-	(258,005)	-	(258,005)
Instruction staff	172,639	-	-	-	(172,639)	-	(172,639)
District administrative	354,691	-	92,689	-	(262,002)	-	(262,002)
School administrative	309,612	-	-	-	(309,612)	-	(309,612)
Business	246,150	-	-	-	(246,150)	-	(246,150)
Plant operation and maintenance	741,600	10,080	22,975	-	(708,545)	-	(708,545)
Student transportation	117,908	-	3,282	-	(114,626)	-	(114,626)
Facilities acquisition and construction	(384,919)	-	-	324,511	709,430	-	709,430
Community service activities	-	-	-	-	-	-	-
Other	7,286	-	-	-	(7,286)	-	(7,286)
Interest on long-term debt	220,140	-	-	-	(220,140)	-	(220,140)
<b>Total governmental activities</b>	<u>6,513,940</u>	<u>236,050</u>	<u>1,292,052</u>	<u>324,511</u>	<u>(4,661,327)</u>	<u>-</u>	<u>(4,661,327)</u>
<b>Business-type Activities</b>							
Food service	302,122	214,022	42,181	-	-	(45,919)	(45,919)
<b>Total business-type activities</b>	<u>302,122</u>	<u>214,022</u>	<u>42,181</u>	<u>-</u>	<u>-</u>	<u>(45,919)</u>	<u>(45,919)</u>
<b>Total school district</b>	<u>\$ 6,816,062</u>	<u>\$ 450,072</u>	<u>\$ 1,334,233</u>	<u>\$ 324,511</u>	<u>(4,661,327)</u>	<u>(45,919)</u>	<u>(4,707,246)</u>
<b>General Revenues</b>							
Property taxes					2,841,363	-	2,841,363
Delinquent property tax					28,976	-	28,976
Motor vehicle taxes					212,103	-	212,103
Utility taxes					331,777	-	331,777
Other taxes					11,674	-	11,674
Investment earnings					10,790	-	10,790
State aid formula grants					2,066,062	-	2,066,062
Miscellaneous					20,308	-	20,308
Transfers					(50,000)	50,000	-
<b>Total general revenues</b>					<u>5,473,053</u>	<u>50,000</u>	<u>5,523,053</u>
Change in net assets					811,726	4,081	815,807
Net assets - beginning					1,902,264	57,569	1,959,833
Net assets - ending					<u>\$ 2,713,990</u>	<u>\$ 61,650</u>	<u>\$ 2,775,640</u>

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2004**

	General Fund	Special Revenue	Capital Project Funds		Non-major Debt Service Fund	Total Governmental Funds
			SEEK Capital Outlay Fund	FSPK Building Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 479,049	\$ (73,575)	\$ 75,519	\$ 272,736	\$ 498	\$ 754,227
Investments	654,124	-	-	-	-	654,124
Accounts receivable						
Taxes	96,514	-	-	-	-	96,514
Accounts	684	-	-	-	-	684
Intergovernmental - state	-	-	-	-	-	-
Intergovernmental - indirect federal	-	82,669	-	-	-	82,669
Prepaid expense	10,179	-	-	-	-	10,179
<b>Total assets</b>	<b>\$ 1,240,550</b>	<b>\$ 9,094</b>	<b>\$ 75,519</b>	<b>\$ 272,736</b>	<b>\$ 498</b>	<b>\$ 1,598,397</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 64,290	\$ -	\$ -	\$ -	\$ -	\$ 64,290
Deferred revenue	4,250	9,094	-	-	-	13,344
Other current liabilities	-	-	-	-	-	-
<b>Total liabilities</b>	<b>68,540</b>	<b>9,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,634</b>
<b>Fund Balances</b>						
Reserved for:						
Prepaid expense	10,179	-	-	-	-	10,179
Accrued sick leave	44,258	-	-	-	-	44,258
Capital projects	-	-	75,519	272,736	-	348,255
Debt service	-	-	-	-	498	498
Unreserved	1,117,573	-	-	-	-	1,117,573
<b>Total fund balances</b>	<b>1,172,010</b>	<b>-</b>	<b>75,519</b>	<b>272,736</b>	<b>498</b>	<b>1,520,763</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,240,550</b>	<b>\$ 9,094</b>	<b>\$ 75,519</b>	<b>\$ 272,736</b>	<b>\$ 498</b>	<b>\$ 1,598,397</b>
Reconciliation to the Statement of Net Assets:						
Total governmental fund balances					\$	1,520,763
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,222,333.						5,391,497
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in government funds.						(4,198,270)
Total net assets - governmental activities					\$	2,713,990

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2004**

	General Fund	Special Revenue	Construction Fund	Capital Project Funds SEEK Capital Outlay Fund	FSPK Building Fund	Non-major Debt Service Fund	Total Governmental Funds
<b>Revenues</b>							
From local sources							
Property taxes	\$ 2,388,109	\$ -	\$ -	\$ -	\$ 482,230	\$ -	\$ 2,870,339
Motor vehicle taxes	212,103	-	-	-	-	-	212,103
Utility taxes	331,777	-	-	-	-	-	331,777
Other taxes	11,674	-	-	-	-	-	11,674
Tuition and fees	225,970	-	-	-	-	-	225,970
Earnings on investments	10,604	155	-	-	-	31	10,790
State sources							
SEEK	1,957,910	-	-	93,240	14,912	-	2,066,062
Other	2,186	299,980	-	-	-	-	302,166
Federal - indirect	-	185,573	-	-	-	-	185,573
Other revenues	30,388	-	-	-	-	-	30,388
On behalf payments - state	804,313	-	-	-	-	-	804,313
<b>Total revenues</b>	<u>5,975,034</u>	<u>485,708</u>	<u>-</u>	<u>93,240</u>	<u>497,142</u>	<u>31</u>	<u>7,051,155</u>
<b>Expenditures</b>							
Instruction	3,801,397	470,630	-	-	-	-	4,272,027
Support services							
Student	220,627	-	-	-	-	-	220,627
Instruction staff	144,263	24,402	-	-	-	-	168,665
District administration	354,191	-	-	-	-	-	354,191
School administration	307,890	-	-	-	-	-	307,890
Business	238,249	-	-	-	-	-	238,249
Plant operation and maintenance	740,599	-	-	-	-	-	740,599
Student transportation	111,619	-	-	-	-	-	111,619
Facilities acquisition and construction	-	324,511	-	-	-	-	324,511
Community service activities	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	330,000	-	330,000
Interest	-	-	73,108	22,854	124,178	-	220,140
Other	16,386	-	-	-	-	-	16,386
Other expenditures	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>5,935,221</u>	<u>819,543</u>	<u>73,108</u>	<u>22,854</u>	<u>454,178</u>	<u>-</u>	<u>7,304,904</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>39,813</u>	<u>(333,835)</u>	<u>(73,108)</u>	<u>70,386</u>	<u>42,964</u>	<u>31</u>	<u>(253,749)</u>
<b>Other Financing Sources (Uses)</b>							
Contributions and donations	-	324,511	-	-	-	-	324,511
Operating transfers in	-	9,324	-	-	-	556,326	565,650
Operating transfers out	(59,324)	-	-	-	-	(556,326)	(615,650)
<b>Total other financing sources (uses)</b>	<u>(59,324)</u>	<u>333,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,511</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(19,511)</u>	<u>-</u>	<u>(73,108)</u>	<u>70,386</u>	<u>42,964</u>	<u>31</u>	<u>20,762</u>
<b>Net change in fund balances</b>							
<b>Fund balance, July 1, 2003</b>	<u>1,191,521</u>	<u>-</u>	<u>73,108</u>	<u>5,133</u>	<u>229,772</u>	<u>467</u>	<u>1,500,001</u>
<b>Fund balance, June 30, 2004</b>	<u>\$ 1,172,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,519</u>	<u>\$ 272,736</u>	<u>\$ 498</u>	<u>\$ 1,520,763</u>

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2004

Net change in fund balance - total governmental funds	\$	20,762
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$742,960) exceeds depreciation (\$251,296) in the current period.		491,664
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		343,558
Accrued long-term sick leave.		<u>(44,258)</u>
Change in net assets of governmental activities.	\$	<u><u>811,726</u></u>

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2004

<b>ASSETS</b>	<b>Food Service Fund</b>
<b>Current Assets</b>	
Cash and cash equivalents	\$ (42,780)
Other receivables	5,172
Inventory	7,931
<b>Total current assets</b>	<u>(29,677)</u>
<b>Noncurrent Assets</b>	
Bldgs and improvements	117,210
Machinery and equipment	110,869
Less: Accumulated depreciation	(136,530)
<b>Total noncurrent assets</b>	<u>91,549</u>
<b>Total assets</b>	<u>61,872</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	<u>222</u>
<b>Total current liabilities</b>	<u>222</u>
<b>Noncurrent Liabilities</b>	
<b>Total noncurrent liabilities</b>	<u>-</u>
<b>Total liabilities</b>	<u>222</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	91,549
Restricted for:	
Other	-
Unrestricted	<u>(29,899)</u>
<b>Total net assets</b>	<u>\$ 61,650</u>

See accompanying notes to basic financial statements.

<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b> <b>PROPRIETARY FUNDS</b> <b>Year Ended June 30, 2004</b>
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	Food Service Fund
<b>Operating Revenues</b>	
Food service sales	\$ 213,353
Other operating revenues	669
<b>Total operating revenues</b>	<u>214,022</u>
<b>Operating Expenses</b>	
Salaries and wages	133,283
Employee benefits	18,869
Purchased professional and technical services	2,874
Purchased property services	7,822
Supplies and materials	121,581
Depreciation	15,096
Other operating expenses	2,597
<b>Total operating expenses</b>	<u>302,122</u>
<b>Operating income (loss)</b>	<u>(88,100)</u>
<b>Nonoperating revenues (expenses)</b>	
Federal grants	39,130
State grants	3,051
Transfers	50,000
<b>Total nonoperating revenues (expenses)</b>	<u>92,181</u>
<b>Net income (loss)</b>	<u>4,081</u>
<b>Total net assets, July 1, 2003</b>	16,896
<b>Prior period adjustments</b>	40,673
<b>Total net assets, June 30, 2004</b>	<u>\$ 61,650</u>

See accompanying notes to basic financial statements.

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2004

		Food Service Fund
<b>Cash Flows from Operating Activities</b>		
Cash received from lunchroom sales	\$	213,353
Cash received from other activities		669
Cash payments to employees for services		(152,151)
Cash payments to suppliers for goods and services		(137,774)
Cash payments for other operating activities		(2,597)
<b>Net cash from operating activities</b>		<u>(78,500)</u>
<b>Cash Flows from Capital Financing Activities</b>		
Capital contributions		-
Acquisition of capital assets		(1,029)
<b>Net cash from capital financing activities</b>		<u>(1,029)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Nonoperating grants received		44,683
Contributions		-
Transfers in		50,000
Transfers out		-
<b>Net cash from noncapital financing activities</b>		<u>94,683</u>
<b>Cash Flows from Investing Activities</b>		
Interest on investments		-
<b>Net cash flows from investing activities</b>		<u>-</u>
<b>Net increase in cash and cash equivalents</b>		15,154
<b>Cash and cash equivalents - beginning</b>		(57,934)
<b>Cash and cash equivalents - ending</b>	\$	<u><u>(42,780)</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Operating income (loss)	\$	(88,100)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
Depreciation		15,096
Changes in assets and liabilities:		
Inventory		(5,098)
Accounts payable		<u>(398)</u>
<b>Net Cash Provided by Operating Activities</b>	\$	<u><u>(78,500)</u></u>

See accompanying notes to basic financial statements.



**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2004

<b>ASSETS</b>	Trust/Agency Fund
<b>Current Assets</b>	
Cash and cash equivalents	\$ 116,861
Accounts receivable	3,342
<b>Total current assets</b>	<u>120,203</u>
<b>Total assets</b>	<u>120,203</u>
<b>LIABILITIES</b>	
Accounts payable	14,018
Due to student groups	106,185
<b>Total liabilities</b>	<u>120,203</u>
<b>NET ASSETS</b>	\$ <u><u>-</u></u>

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Beechwood Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Beechwood Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Beechwood Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Beechwood Independent School District Finance Corporation - On April 9, 1990, the Beechwood Independent Board of Education resolved to authorize the establishment of the Beechwood Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Beechwood Independent School District also comprise the Corporation's Board of Directors.

**Basis of Presentation**

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2004**

fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identified the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

1. Governmental Fund Types

(A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

(D) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

2. Proprietary Fund Types (Enterprise Fund)

A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service Fund is a major fund. The District applied all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

3. Fiduciary Fund Type ( Agency Funds)

A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2004**

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### **Property Taxes**

Property Tax Revenues – Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the District. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. The property tax rates assessed for the year ended June 30, 2004, to finance the General Fund operations were \$.661 per \$100 valuation for real property, \$.661 per \$100 valuation for business personal property and \$.574 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, and water.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

**Capital Assets**

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in their respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	25-50 years
Land Improvements	20 years
Technology equipment	5-10 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	20 years
Musical instruments	10 years
Grounds equipment	15 years
Other	10 years

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

**Budgetary Principles**

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

**Cash and Cash Equivalents**

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**Inventories**

The Food Service Fund inventories are stated at cost or at fair market value on the date of donation for donated commodities .

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2004</b>
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As of June 30, 2004, the long-term debt of the financial reporting entity consisted of the following:

Capital lease obligations	
Current portion	\$ 362,370
Non-current portion	3,791,642
	<u>\$ 4,154,012</u>

### **Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for fixed assets, prepaid expenses, accrued sick leave and debt service reserves.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the school.

### **NOTE B – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For the fiscal year ended June 30, 2004, the District implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". For the fiscal year ended June 30, 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net assets amount for



<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b> <b>Year Ended June 30, 2004</b>
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governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

The School District made several changes in accounting principles during the year. For governmental activities, they began recording the current portion of the accumulated sick leave liability, removed long-term investments not to be used for current expenditures. These changes bring the District's funds into compliance with the fund classifications and requirements of GASB 34.

Restatement of Fund Balance – The restatement for the above changes and the transition from governmental fund balance to net assets of the governmental activities is presented below:

	General	Capital Projects	Debt Service	Total
Fund Balance June 30, 2003	\$ 1,191,521	\$ 308,013	\$ 467	\$ 1,500,001
GASB 34 Adjustments:				
Capital Assets - Net of Depreciation				4,899,833
Long-Term Liabilities				<u>(4,497,570)</u>
Governmental Activities Net Assets, June 30, 2003				\$ <u><u>1,902,264</u></u>

The District reclassified some funds from proprietary to government funds based upon fund classifications presented in GASB 34. The District also had a fixed asset inventory taken to comply with GASB 34. This inventory revealed the existence of proprietary fixed assets that were under the \$1,000 threshold that were recorded on the books. Changes as a result of the GASB 34 implementation are as follows:

	Food Service
Fund Balance, June 30, 2003	\$ 16,896
Additional fixed assets	<u>40,673</u>
Adjusted Fund Balance, June 30, 2003	\$ <u><u>57,569</u></u>

## NOTE C – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b> Year Ended June 30, 2004
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## NOTE D – DEPOSITS AND INVESTMENTS

The District's deposits were fully insured or collateralized as required by state statutes at June 30, 2004. At year end, the carrying amount of the District's deposits was \$1,027,536. Of the total bank balance, \$100,000 was covered by Federal depository insurance, with the remainder covered by a collateral agreement and collateral held in the District's name.

Investments – All investments (including cash equivalents) are authorized by state statutes. All investments and cash equivalents were held by the District's agent in the District's name, (Category 2).

The District's investments carried at fair value as of June 30, 2004 are:

Federal agency bonds	\$ <u>654,124</u>
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The District's cash equivalents (investments with a maturity of 90 days or less) are:

U.S. Treasury money market account	\$ <u>14,722</u>
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The District's central checking account and other cash deposits at June 30, 2004 consisted of the following:

	Bank Balance	Book Balance
Fifth Third Bank-checking	\$ <u>1,027,536</u>	\$ <u>813,586</u>

Breakdown per financial statements:

Governmental funds	\$ 1,408,351
Proprietary fund	(42,780)
Trust/Agency fund	<u>116,861</u>
	\$ <u>1,482,432</u>

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Land	\$ 276,100	\$ -	\$ -	\$ 276,100
Land Improvements	15,800	690,042	-	705,842
Buildings & Building Improvements	5,866,093	-	-	5,866,093
Technology Equipment	364,693	33,530	-	398,223
Vehicles	206,016	-	-	206,016
Machinery and Equipment	142,168	19,388	-	161,556
TOTALS AT HISTORICAL COST	<u>6,870,870</u>	<u>742,960</u>	<u>-</u>	<u>7,613,830</u>
LESS ACCUMULATED DEPRECIATION:				
Land	-	-	-	-
Land Improvements	11,879	57,314	-	69,193
Buildings & Building Improvements	1,523,941	124,091	-	1,648,032
Technology Equipment	271,241	45,340	-	316,581
Vehicles	115,459	11,747	-	127,206
Machinery and Equipment	48,517	12,804	-	61,321
TOTAL ACCUMULATED DEPRECIATION	<u>1,971,037</u>	<u>251,296</u>	<u>-</u>	<u>2,222,333</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 4,899,833</u>	<u>\$ 491,664</u>	<u>\$ -</u>	<u>\$ 5,391,497</u>
BUSINESS-TYPE				
Buildings & Building Improvements	\$ 116,182	\$ 1,028	\$ -	\$ 117,210
Machinery and Equipment	110,869	-	-	110,869
	<u>227,051</u>	<u>1,028</u>	<u>-</u>	<u>228,079</u>
LESS ACCUMULATED DEPRECIATION:				
Buildings & Building Improvements	75,519	2,334	-	77,853
Machinery and Equipment	45,915	12,762	-	58,677
	<u>121,434</u>	<u>15,096</u>	<u>-</u>	<u>136,530</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 105,617</u>	<u>\$ (14,068)</u>	<u>\$ -</u>	<u>\$ 91,549</u>

DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	\$ 168,380
Student Support Services	57,071
Staff Support Services	3,974
District Administration	500
School Administration	1,722
Business Support Services	7,901
Plant Operation & Maintenance	1,001
Student Transportation	10,747
TOTAL	<u>\$ 251,296</u>

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

**NOTE F – LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Beechwood Independent School District Finance Corporation aggregating \$4,094,354 and an annual assessment payable to the Kenton County Schools totaling \$59,658.

The original amount of each issue, the issue date, and interest rates are summarized below.

Issue Date		Proceeds	Outstanding Balance	Rates
March 1, 2000	\$	2,640,000	\$ 2,440,000	4.80%-5.65%
January 1, 2000 (KISTA)	\$	47,417	\$ 29,354	4.30%-5.30%
December 1, 1997	\$	925,000	\$ 720,000	4.20%-4.60%
October 1, 1997 (KISTA)	\$	500,000	\$ 175,000	4.10%-5.00%
February 1, 1994	\$	1,100,000	\$ 730,000	2.75%-4.90%

The District, through the General Fund and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Beechwood Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

A summary of obligations under capital leases is as follows:

	7/1/03	Issued	Retired	6/30/04
Bonds under capital lease	\$ 4,428,812	\$	\$ 334,458	\$ 4,094,354
Annexation assessment	68,758		9,100	59,658
	<u>\$ 4,497,570</u>	<u>\$ -</u>	<u>\$ 343,558</u>	<u>\$ 4,154,012</u>

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, at June 30, 2004, for debt service (principal and interest) are as follows:

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

Fiscal Year	1994 Issue		KISTA 10/1/97 Issue		12/1/97 Issue		Annexation of Property Debt
	Bonds Due	Interest Due	Bonds Due	Interest Due	Bonds Due	Interest Due	
2004-2005	\$ 225,000	\$ 29,440	\$ 55,000	\$ 8,667	\$ 40,000	\$ 32,200	\$ 7,738
2005-2006	240,000	18,625	60,000	6,000	45,000	30,245	9,141
2006-2007	265,000	6,492	60,000	3,000	35,000	28,405	7,634
2007-2008	-	-	-	-	205,000	22,885	7,604
2008-2009	-	-	-	-	200,000	13,570	7,604
2009-2010	-	-	-	-	195,000	4,485	9,509
2010-2011	-	-	-	-	-	-	2,023
2011-2012	-	-	-	-	-	-	5,342
2012-2013	-	-	-	-	-	-	3,063
2013-2014	-	-	-	-	-	-	-
2014-2015	-	-	-	-	-	-	-
2015-2016	-	-	-	-	-	-	-
2016-2017	-	-	-	-	-	-	-
2017-2018	-	-	-	-	-	-	-
2018-2019	-	-	-	-	-	-	-
2019-2020	-	-	-	-	-	-	-
	<u>\$ 730,000</u>	<u>\$ 54,557</u>	<u>\$ 175,000</u>	<u>\$ 17,667</u>	<u>\$ 720,000</u>	<u>\$ 131,790</u>	<u>\$ 59,658</u>

Fiscal Year	03/01/00 Issue		KISTA 01/01/00 Issue		Total Requirement for Year
	Bonds Due	Interest Due	Bonds Due	Interest Due	
2004-2005	\$ 30,000	\$ 131,132	\$ 4,632	\$ 1,510	\$ 565,319
2005-2006	20,000	129,632	4,863	1,278	564,784
2006-2007	25,000	128,632	5,066	1,032	565,261
2007-2008	130,000	127,382	5,298	774	498,943
2008-2009	135,000	120,882	4,632	499	482,187
2009-2010	150,000	114,132	4,863	258	478,247
2010-2011	160,000	106,482	-	-	268,505
2011-2012	165,000	98,242	-	-	268,584
2012-2013	175,000	89,662	-	-	267,725
2013-2014	180,000	80,388	-	-	260,388
2014-2015	190,000	70,668	-	-	260,668
2015-2016	195,000	60,312	-	-	255,312
2016-2017	205,000	49,588	-	-	254,588
2017-2018	215,000	38,312	-	-	253,312
2018-2019	225,000	26,272	-	-	251,272
2019-2020	240,000	13,560	-	-	253,560
	<u>\$ 2,440,000</u>	<u>\$ 1,385,278</u>	<u>\$ 29,354</u>	<u>\$ 5,351</u>	<u>\$ 5,748,655</u>

As a result of property annexed by the District from the Kenton County Schools, the District is obligated to pay an annual assessment to Kenton County to reimburse the County Schools for its pro-rata share of debt service attributable to the assessed value of the annexed property.

The interest portion of bonded debt lease payments paid in fiscal year 2004 totaled \$221,868.

The District leases two copiers under one operating lease that requires monthly rental payments of \$3,051.75. The original lease term is for five years and expires November, 2006. Total rent paid under this lease for the year was \$36,621. Minimum future rentals as of June 30, 2004 are as follows:

<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b> Year Ended June 30, 2004
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<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 36,621
2006	36,621
2007	<u>15,259</u>
	<u>\$ 88,501</u>

#### **NOTE G – ACCRUED SICK LEAVE**

Upon retirement from the school system, certified and classified employees will receive from the district an amount equal to 10% of the value of accumulated sick leave up to a maximum of \$5,000. At June 30, 2004, the amount reserved as estimated accrued leave for eligible future retirees (27 years or more of service) totaled \$44,258 and a noncurrent liability of \$44,258 has been recognized.

#### **NOTE H – RETIREMENT PLANS**

##### *Plan Description and Funding Policy*

Certified employees are covered under the Kentucky Teachers Retirement Systems (KTRS), a multiple employer, public employees retirement system (PERS). Funding for the plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the federal program for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% and a District contribution of 7.34% of the employee's total compensation subject to contribution.

The plans provided for retirement, disability, and death benefits to plan members, and under certain circumstances to plan member beneficiaries.

Participating employers are required to contribute at an actuarially determined rate. Normal contributions and past service rates are determined by the Board of the plans based upon an annual valuation.

The District's contribution requirement for CERS for the year ended June 30, 2004, was \$43,876, \$36,273 in 2003 and \$35,803 in 2002. The District has a contribution requirement to KTRS of \$1,596 for 2004, \$1,557 for 2003 and \$1,389 for 2002. The contributions represented 100% of the required contributions.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The retirement systems issued publicly available annual financial reports that include financial statements and required supplementary information. The reports may be obtained from the retirement systems by contacting their operating headquarters in

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year Ended June 30, 2004

Frankfort, Kentucky.

**NOTE I – CONTINGENCIES**

The District receives funding from the federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE J – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

**NOTE K – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Districts Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Districts Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

<b>BEECHWOOD INDEPENDENT SCHOOL DISTRICT</b> <b>NOTES TO BASIC FINANCIAL STATEMENTS</b> Year Ended June 30, 2004
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### NOTE L – DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

General Fund	\$ (19,511)
Construction Fund	\$ (73,108)

### NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year.

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Food Service	Operations	\$ 50,000
Operating	General	Special Revenue	Matching	\$ 9,324

### NOTE N – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2004 net income (loss) reported in the District's Annual Financial Report with that shown in the accompanying financial statements:

	Food Service Fund
Net Income (Loss) as reported to the Department of Education	\$ 13,199
Adjustment to accounts receivable	5,172
Purchases of capital asset	1,028
Adjustment to accounts payable	(222)
Depreciation	(15,096)
Net Income (Loss) as reported in accompanying financial statements	\$ 4,081

The following is a reconciliation of the June 30, 2004 excess revenues and other sources over expenditures and other uses reported in the District's Annual Financial Report with that shown in the accompanying financial statements:

	General Fund
Excess (Deficiency) of Revenue over Expenditures as reported to the Department of Education	\$ (99,603)
Additional accounts receivable	97,198
Additional accounts payable	(17,106)
Excess (Deficiency) of Revenue over Expenditures as reported in accompanying financial statements	\$ (19,511)



SUPPLEMENTAL SCHEDULES AND INFORMATION

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
Year Ended June 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 2,783,845	\$ 2,783,845	\$ 2,943,663	\$ 159,818
Tuition and fees	231,000	231,000	225,970	(5,030)
Earnings on investments	18,500	18,500	10,604	(7,896)
Other local sources	22,150	22,150	30,388	8,238
State sources	1,952,250	1,952,250	1,960,096	7,846
On-behalf payments	-	-	804,313	804,313
TOTAL REVENUES	<u>5,007,745</u>	<u>5,007,745</u>	<u>5,975,034</u>	<u>967,289</u>
EXPENDITURES:				
Instructional	3,461,998	3,461,998	3,801,397	(339,399)
Student Support Services	200,256	200,256	220,628	(20,372)
Staff Support Services	150,018	150,018	144,263	5,755
District Administration	898,281	898,281	354,191	544,090
School Administration	363,744	363,744	307,890	55,854
Business Support Services	242,055	242,055	238,249	3,806
Plant Operation & Maintenance	704,378	704,378	740,598	(36,220)
Student Transportation	128,604	128,604	111,619	16,985
Community Service Operations	-	-	-	-
Faculty Acquisition & Construction	-	-	-	-
Debt Service - Other	10,300	10,300	16,386	(6,086)
TOTAL EXPENDITURES	<u>6,159,634</u>	<u>6,159,634</u>	<u>5,935,221</u>	<u>224,413</u>
Excess (deficit) of revenues over expenditures	<u>(1,151,889)</u>	<u>(1,151,889)</u>	<u>39,813</u>	<u>1,191,702</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(59,324)</u>	<u>(49,324)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(59,324)</u>	<u>(49,324)</u>
Net change in fund balance	(1,161,889)	(1,161,889)	(19,511)	1,142,378
Fund balance, July 1, 2003	<u>1,161,889</u>	<u>1,161,889</u>	<u>1,191,521</u>	<u>29,632</u>
Fund balance, June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,172,010</u>	<u>\$ 1,172,010</u>

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**Year Ended June 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Earnings on investments	\$ 36	\$ 36	\$ 155	\$ 119
Other Local Sources	-	-	324,511	324,511
State Sources	248,876	248,876	299,980	51,104
Federal Sources	327,808	327,808	185,573	(142,235)
TOTAL REVENUES	576,720	576,720	810,219	233,499
EXPENDITURES:				
Instructional	565,345	565,345	470,630	94,715
Staff Support Services	20,699	20,699	24,402	(3,703)
Site Improvement	-	-	324,511	(324,511)
TOTAL EXPENDITURES	586,044	586,044	819,543	(233,499)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,324)	(9,324)	(9,324)	-
OTHER FINANCING SOURCES (USES):				
Operating transfers in	9,324	9,324	9,324	-
Operating transfers out (debt service)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	9,324	9,324	9,324	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES-BEGINNING	-	-	-	-
FUND BALANCES-ENDING	\$ -	\$ -	\$ -	\$ -

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SEEK CAPITAL OUTLAY FUND**  
Year Ended June 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State Sources	\$ 93,000	\$ 93,000	\$ 93,240	\$ 240
TOTAL REVENUES	93,000	93,000	93,240	240
EXPENDITURES:				
Debt Services	97,874	97,874	22,854	75,020
TOTAL EXPENDITURES	97,874	97,874	22,854	75,020
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,874)	(4,874)	70,386	75,260
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out (debt service)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	(4,874)	(4,874)	70,386	75,260
FUND BALANCES-BEGINNING	4,874	4,874	5,133	259
FUND BALANCES-ENDING	\$ -	\$ -	\$ 75,519	\$ 75,519

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - FSPK BUILDING FUND**  
**Year Ended June 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	\$ 460,000	\$ 460,000	\$ 482,230	\$ 22,230
State Sources	15,000	15,000	14,912	(88)
TOTAL REVENUES	475,000	475,000	497,142	22,142
EXPENDITURES:				
Debt Services	641,633	641,633	454,178	187,455
TOTAL EXPENDITURES	641,633	641,633	454,178	187,455
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(166,633)	(166,633)	42,964	209,597
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out (debt service)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	(166,633)	(166,633)	42,964	209,597
FUND BALANCES-BEGINNING	166,633	166,633	229,772	63,139
FUND BALANCES-ENDING	\$ -	\$ -	\$ 272,736	\$ 272,736

See accompanying notes to basic financial statements.

**BEECHWOOD INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**BEECHWOOD HIGH SCHOOL ACTIVITY FUND**

Year Ended June 30, 2004

Fund <u>Accounts</u>	CASH			CASH			FUND		
	BALANCES			BALANCES	ACCOUNTS	ACCOUNTS	BALANCES		
	<u>JULY 1, 2003</u>	<u>RECEIPTS (1)</u>	<u>DISBURSEMENTS (1)</u>	<u>JUNE 30, 2004</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>	<u>JUNE 30, 2004</u>		
1st & 2nd Grades	\$ 251	\$ 6,438	\$ 4,633	\$ 2,056	\$ -	\$ -	\$ 2,056		
Third Grade	163	379	379	163	-	-	163		
Fourth Grade	404	3,483	3,649	238	-	-	238		
5th Grade	2,567	6,863	7,688	1,742	-	-	1,742		
6th Grade	1,387	5,582	6,153	816	-	(153)	663		
Annual Account - Yearbook	23,856	21,648	22,579	22,925	-	-	22,925		
Art Club	84	120	138	66	-	-	66		
Athletic Account	52,851	117,300	147,142	23,009	2,972	(2,717)	23,264		
Athletics - Fundraiser	8,177	40,419	39,682	8,914	-	(921)	7,993		
Band	-	1,336	1,221	115	-	-	115		
Beechbark and Beechbard	3,473	65	155	3,383	-	-	3,383		
Beth Wondrely Memorial Scholarship	-	1,290	500	790	-	-	790		
Biology Field Trip	88	10,369	10,050	407	-	-	407		
Championship Bowl	27,056	3,898	30,954	-	-	-	-		
Cheerleaders FR - Varsity	1,742	8,099	8,316	1,525	-	(839)	686		
Cheerleaders FR - Junior Varsity	949	7,886	7,704	1,131	-	(892)	239		
Cheerleaders FR - Freshman	454	3,345	3,290	509	-	(316)	193		
Cheerleaders FR - 7th & 8th Grade	504	1,254	1,027	731	-	-	731		
Chess Club	-	150	90	60	-	-	60		
Choral Music	36	570	404	202	-	-	202		
Class of 2003	261	-	261	-	-	-	-		
Class of 2004	2,050	3,811	5,209	652	-	(100)	552		
Class of 2005	102	8,755	7,704	1,153	-	-	1,153		
Coca-Cola Account	2,029	8,529	8,444	2,114	370	-	2,484		
Counselor's Account	1,603	9,369	9,872	1,100	-	-	1,100		
Donna Hornsby Memorial Fund	446	-	100	346	-	-	346		
Edgar McNabb Scholarship	325	-	200	125	-	-	125		
Elem. Fundraiser A - G	2,966	40,091	37,778	5,279	-	-	5,279		
FCCLA	196	-	-	196	-	-	196		
Fellow Christian Association	221	-	80	141	-	-	141		
Field Trips-Bus Collection	413	5,918	6,331	-	-	-	-		
French Club	292	1,383	1,505	170	-	-	170		
High School Fundraiser A-F	-	32,739	28,710	4,029	-	(417)	3,612		
Home Economics (Lab)	96	3,150	3,246	-	-	-	-		
Interact Club	654	-	-	654	-	-	654		
Junior Great Books	57	546	546	57	-	-	57		
Kindergarten Snack Fund	970	6,969	7,263	676	-	(205)	471		
Latin Club	231	17	-	248	-	-	248		
Library Account	2,722	266	1,620	1,368	-	-	1,368		
Little Siblings	96	1,068	1,151	13	-	-	13		
Lost & Damaged Locks & Textbook	1,171	82	1,086	167	-	-	167		
Musical	5,922	19,922	20,183	5,661	-	-	5,661		
National Honor Society	455	8,201	8,033	623	-	-	623		
National Jr. Honor Society	1,379	1,047	1,751	675	-	-	675		
OM	234	5,855	5,875	214	-	-	214		
Paperbacks Lost & Damaged	40	1,891	421	1,510	-	(1,363)	147		
Parking passes	561	1,850	1,732	679	-	-	679		
Pep Club	14	1,085	595	504	-	-	504		
Photography Club	438	130	225	343	-	-	343		
Poetry Club	208	-	208	-	-	-	-		
Recycled Cans	562	2,168	2,480	250	-	-	250		
S.A.D.D.	584	-	-	584	-	-	584		
Scholarships	4,384	3,762	4,442	3,704	-	(3,700)	4		
School Account-High School	2,921	10,805	10,161	3,565	-	(69)	3,496		
School Account-Elementary	3,548	7,685	6,919	4,314	-	(53)	4,261		
Sophomore Class Trip	29	20,467	20,496	-	-	-	-		
Spanish Club	255	490	421	324	-	-	324		
Student Council	2,356	3,283	3,260	2,379	-	-	2,379		
Student Fees-High School	-	41,311	40,517	794	-	(274)	520		
Student Fees-Elementary	-	21,825	21,360	465	-	(432)	33		
Textbook Rental	1,521	9,752	8,270	3,003	-	(1,567)	1,436		
Undistributed Interest	1,988	3,167	5,155	-	-	-	-		
<u>TOTALS</u>	<u>\$ 168,342</u>	<u>\$ 527,883</u>	<u>\$ 579,364</u>	<u>\$ 116,861</u>	<u>\$ 3,342</u>	<u>\$ (14,018)</u>	<u>\$ 106,185</u>		

(1) Included in Receipts and Disbursements are Inter-Fund transfers in the amount of \$86,626.

See accompanying notes to the basic financial statements

# **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Members of the Board of Education  
Beechwood Independent School District  
Ft. Mitchell, Kentucky**

**Kentucky State Committee for School District Audits  
Frankfort, Kentucky**

We have audited the financial statements of Beechwood Independent School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the State Committee for School District Audits in Appendixes I, II and III of the Independent Auditor's Contract.

## *Compliance*

As part of obtaining reasonable assurance about whether Beechwood Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract-State Audit Requirements that are required to be reported under state audit requirements.

## *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Beechwood Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management in a separate letter dated September 17, 2004.

This report is intended solely for the information and use of management, others within the organization, Board Members, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**RANKIN, RANKIN & COMPANY**

**Ft. Wright, Kentucky  
September 17, 2004**



**Members of the Board of Education  
Beechwood Independent School District  
Ft. Mitchell, Kentucky**

**Kentucky State Committee for School District Audits  
Frankfort, Kentucky**

In planning and performing our audit of the financial statements of Beechwood Independent School District for the year ended June 30, 2004, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 17, 2004 on the financial statements of the Beechwood Independent Board of Education.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**General:**

During our test of the payroll, we noted several errors in the original calculation of hours of lunchroom employees that were corrected by the payroll clerk. Such errors can cause problems if the errors are not detected and corrected. We recommend that as a routine procedure, the accuracy of the payroll calculation be rechecked by the payroll clerk in addition to the food service supervisor.

Response: The payroll clerk held an informational class with the lunchroom staff demonstrating the correct procedures for completing the time sheets. The finance officer reviewed the supervisory procedures with the food service supervisor. In addition, the payroll clerk recalculates all timesheets and the finance officer spot checks timesheets each pay period.

**Beechwood High School Activity Fund:**

It was noted that in some instances a check is issued to a function sponsor who then refunds the cash amount to parents as a form of refund when an activity's receipts exceed the cost. All disbursements from activity funds should be by check. We recommend that all refunds to parents or others be made by check.

Response: The Activity Fund Treasurer has been instructed to only issue refunds by checks to each recipient. The monthly listing of disbursements is reviewed by the finance officer.

Because the same person receives cash receipts and authorizes disbursements, posts the cash receipts and disbursements to the general ledger, makes bank deposits and reconciles the bank statement, we recommend that additional segregation of duties be implemented. A person other than the Activity Treasurer should make the bank deposit and a person other than the Activity Treasurer should prepare the bank reconciliation.

Response: The monthly bank reconciliation is reviewed by the finance officer. Due to limited staff, another person is not available to make the regular bank deposit. In lieu of someone other than the Treasurer making the deposit, the Treasurer sends a statement to each activity fund sponsor on a monthly basis. These statements are reviewed monthly by the finance officer.

## CURRENT YEAR RECOMMENDATIONS

### **Beechwood High School Activity Fund:**

No fundraising worksheet was completed and attached to request forms indicating an estimate of profit or loss for the stated activity. This worksheet should be completed for all fundraisers.

Response: Teachers and activity club sponsors will be reminded of the need to complete the fundraising worksheet and attaching it to the fundraising request.

It is our understanding that all checks received for deposit are scanned before being deposited. This system needs to provide the same element of control and proof of documentation as a check copy or manual log of daily receipts. Bank deposit tickets are completed using a bank # to identify each check deposited. To strengthen controls over cash receipts, deposit tickets should be prepared containing the issuer name and the amount of each check to be deposited.

Response: The activity fund treasurer will print a copy of the scanned checks that correspond to the bank deposit.

No Requisition and Report of Ticket Sales form was prepared for the Junior Class Prom. Pre-numbered tickets shall be used for ALL events which charge admission. The person in charge of the activity should complete Form F-SA-1, reconciling the number of tickets sold to the amount of cash given to the central fund treasurer.

Response: The principal and the assistant principal have been reminded that all functions where admission is charged must have pre-numbered tickets. The principal will discuss ticket sales and admissions at a faculty meeting.

There were 16 separate deposits for the theater production of "Annie". There were 5 ticket sale reports (one for each production), using a seating chart for # of tickets sold. To enhance controls over cash receipts, we recommend that the person in charge of the activity complete a Report of Ticket Sale form for each deposit, reconciling the type and number of tickets sold to the amount of cash given to the central fund treasurer.

Response: In lieu of the seating chart for number of tickets sold, the theater will use a Report of Ticket Sale form for future productions.

## **Food Service:**

No procedures are in place to monitor adjustments made to student, or other personnel, lunch accounts. We recommend that an adjustment report be printed and reviewed daily by the lunchroom supervisor. A monthly detailed report should be given to the finance director - any large or unusual adjustments should be examined further.

Response: Along with the monthly sales information that is forwarded to the Board Office, the cafeteria will forward a monthly listing of all adjustments. The Finance Officer will review the adjustments on a monthly basis.

Cash is collected daily (by two employees) from the vending machines and rung up as ala carte-vending. There is no written documentation concerning the vending machine count. For stronger controls over cash receipts, we recommend the use of a count sheet by cafeteria personnel verifying the amount of cash collected each day. Each employee is to sign off on the form.

Response: The cafeteria will begin using a cash collected count sheet when recording the vending machine sales. Both employees will sign the form.

In the course of testing disbursements, we noted one instance of a lunchroom employee making a personal purchase and payment to a school district food vendor. Employees of the Board should not be permitted to make personal purchases through the District's name.

Response: Employees have been notified that no personal items may be purchased through the school accounts. Department supervisors will monitor purchasing in their area.

In payment of credit card statements, particularly Sam's Club, we noted instances of lack of supporting documentation for purchases. There were also instances of late fee charges. As the Board pays expenditures for the cafeteria, it is important that invoices are accurate and the charges are for items of which they purchased. We recommend that invoices be submitted timely to the Board and attached to the related statement for payment.

Response: In meetings with the cafeteria manager, the importance of detailed receipts has been stressed. The cafeteria manager and assistant manager have reviewed their purchasing procedures and implemented stronger tracking controls over items purchased.

## **RANKIN, RANKIN & COMPANY**

**Ft. Wright, Kentucky  
September 17, 2004**